

Background Quality Report: VAT Gap Estimates

Dimension	Assessment by the author
Introduction	<p><i>Context for the quality report.</i></p> <p>HMRC publish the</p> <ul style="list-style-type: none"> • VAT gap preliminary estimate at the Autumn Statement; • VAT gap second estimate at Budget; and • VAT gap final estimates as part of the Measuring Tax Gaps publication respectively <p>The VAT gap estimate for the preliminary and second estimate as well as a forecast for future years is published as a part of the Office for Budget Responsibility ‘Economic and Fiscal outlook’ report published at Autumn Statement and Budget. Further information can be found here: http://budgetresponsibility.independent.gov.uk/.</p> <p>The VAT gap estimates have been produced by government analysts working within HMRC, in line with the values, principles and protocols set out in the Code of Practice for Official Statistics.</p> <p>A summary of the methodology used to estimate the VAT gap is presented in the annual ‘Measuring Tax Gaps’ publication: https://www.gov.uk/government/statistics/measuring-tax-gaps.</p> <p>Further methodological detail for each tax is contained within the ‘Methodological Annex’, published annually alongside the main publication.</p>
Relevance	<p><i>The degree to which the statistical product meets user needs in both coverage and content.</i></p> <p>The ‘VAT gap’ is the difference between the theoretical total VAT liability and actual cash receipts.</p> <p>The theoretical total VAT liability is estimated using National Accounts data published by the Office for National Statistics (ONS).</p> <p>The VAT gap estimate, is a key element of the VAT forecast published by the Office for Budget Responsibility. The overall picture helps HMRC to develop strategy and allocate resources.</p> <p>VAT gap figures are published to provide a broad indicator of trends in compliance and because HMRC think it is important to be transparent on our thinking on this important issue of public interest.</p>
Accuracy and Reliability	<p><i>The proximity between an estimate and the unknown true value.</i></p> <p>VAT gap estimates are incorporated annually into the total tax gap as part of the ‘Measuring Tax Gaps’ publication, which include updated estimates of the VAT gap for previous years.</p>

	<p>Revisions to National Accounts data are a normal part of the National Accounts process, which reconciles the different measures of GDP and incorporates information from various data sources. It also provides the opportunity to review methods and introduce improved methodology. Therefore, the VAT gap estimate will continue to fluctuate as ONS update their National Accounts data on a regular basis.</p>
<p>Timeliness and Punctuality</p>	<p><i>Timeliness refers to the time gap between publication and the reference period. Punctuality refers to the gap between planned and actual publication dates.</i></p> <p>The publication is released as soon as possible after the estimates are produced and the quality assurance has taken place.</p> <p>The publication date for each release is pre announced in advance and has been published to time.</p> <p>For VAT gap estimates published, there is around a 9 month lag between publication and the latest reference year.</p>
<p>Accessibility and Clarity</p>	<p><i>Accessibility is the ease with which users are able to access the data, also reflecting the format in which the data are available and the availability of supporting information. Clarity refers to the quality and sufficiency of the metadata, illustrations and accompanying advice.</i></p> <p>VAT gap estimates are published as a pdf on the HMRC GOV.UK website and can be accessed through https://www.gov.uk/government/statistics/vat-gap-estimates. The publication itself contains the headline figures. Where appropriate, charts have been published alongside the figures to provide a clear indication of any trends.</p> <p>The Methodological Annex is published as a pdf as part of the Measuring Tax Gap publication.</p> <p>Different formats of the publications are available upon request.</p>
<p>Coherence and Comparability</p>	<p><i>Coherence is the degree to which data that are derived from different sources or methods, but refer to the same topic, are similar. Comparability is the degree to which data can be compared over time and domain.</i></p> <p>The VAT gap estimates are subject to revision due to improvements in the data available, the methodologies used and projections based on more recent years. All revisions made to previous years' estimates, and the reasons for the changes are clearly shown within the publication.</p> <p>The VAT gap as a percentage of VAT tax liabilities, as opposed to monetary terms, gives a better measure of compliance over time because it takes out some of the effects of inflation and changes to tax rates.</p>

Trade-offs between Output Quality Components	<i>Trade-offs are the extent to which different aspects of quality are balanced against each other.</i>
	The data relates to all UK expenditure that is subject to VAT. In general there have been no trade-offs which have necessitated balancing different aspects of quality. HMRC has a programme of work for improvements in its modelling of the VAT gap; these do however need to be balanced with other resources requirements and ensuring good value for money.
Assessment of User Needs and Perceptions	<i>The processes for finding out about users and uses, and their views on the statistical products.</i>
	HMRC are constantly looking for ways to improve the quality of their VAT gap estimates. In the publication, users are encouraged to provide feedback and contact details are provided for them to do so.
Performance, Cost and Respondent Burden	<i>The effectiveness, efficiency and economy of the statistical output.</i>
	Survey data, particularly from surveys administered by ONS, are also used to produce some of the estimates so there is an additional respondent burden outside of HMRC.
Confidentiality, Transparency and Security	<i>The procedures and policy used to ensure sound confidentiality, security and transparent practices.</i>
	<p>Only aggregate data is used in producing the statistics and no confidential data is accessible to those responsible for producing the publication.</p> <p>There is no risk of disclosure in the publication.</p>